



California Postsecondary Education Commission

Resolution of the California Postsecondary Education Commission Concerning Proposed Updates to the Tax Tables Used in the Federal Needs Analysis Methodology for Determining Federal Student Financial Aid

Adopted Resolution AR/04-01 December 15, 2004 • www.cpec.ca.gov

The California Postsecondary Education Commission (CPEC) supports efforts to ensure that the federal needs analysis methodology reflects a family's true ability to pay for higher education. CPEC recognizes that the needs analysis methodology should be updated periodically to reflect changing family and economic circumstances; CPEC supports the provision in the Higher Education Act that requires the U.S. Department of Education to update the amount families spend on state and local taxes and thus do not have available to pay higher education expenses.

However, CPEC opposes the updates currently proposed by the U.S. Department of Education to the tax tables used in the federal needs analysis methodology as these proposed changes do not accurately reflect the tax burden of California families.

The proposed adjustments would reduce the estimate of Californians' income presumed to be used for state and local income taxes from the current rate of 7% down to 5%. This change suggests that Californians' tax burden has declined since the formula was last updated using 1988 tax data. Data from the California Franchise Tax Board do not support this conclusion. In fact, the Institute on Taxation and Economic Policy concluded that California families are paying an equal or higher percentage of their income in state and local taxes. Assuming these data and analyses are accurate and Californians' taxes have not declined, the proposed change in the tax tables would unfairly harm California students and their families. The proposed changes would result in Californians being expected to contribute more for college expenses by reducing their eligibility for student aid, even though their state and local tax burden has remained the same or has increased.

CPEC urges the U.S. Department of Education to postpone its implementation of the proposed tax table changes until the data and methodology used to adjust these tables have been publicly released and an open, public hearing and discussion of the matter can be held.

Further, CPEC urges Governor Schwarzenegger, U.S. Senators Boxer and Feinstein, and California members of the House of Representatives to take appropriate action requesting that the proposed tax table changes be postponed until further public review, discussion, and debate on this matter can occur.

*Adopted by the California Postsecondary Education Commission
On December 15, 2004*